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Annual Report, 1965



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BOARD OF DIRECTORS

S. F. CHAPMAN
K. H. DOYLE
A. D. McEWEN
S. L. McCABE
K. R. THOMSON
J. A. TORY

OFFICERS

K. R. THOMSON, *Chairman of the Board*
K. H. DOYLE, *President*
S. F. CHAPMAN, C.A., *Secretary-Treasurer*
S. L. McCABE, *Vice-President*

TRANSFER AGENTS

Montreal Trust Company

AUDITORS

Thorne, Mulholland, Howson & McPherson

BANK

The Royal Bank of Canada

EXECUTIVE OFFICE

100 University Avenue, Toronto, Canada

REPORT OF THE BOARD OF DIRECTORS

to the Shareholders of Scottish & York Holdings Limited

It is a pleasure to submit, on behalf of the Directors, the annual report of your Company and its subsidiaries for the year ended December 31, 1965.

The net earnings of your Company and its subsidiaries amounted to \$491,000 for the year or \$1.96 per share compared with \$194,000 or 78¢ per share in 1964. Taxes on income for the year were reduced by 69¢ per share as a result of the application of previous years' losses of Victoria Insurance Company of Canada.

The combined operations of Scottish & York Insurance Co. Limited and Victoria Insurance Company of Canada showed favourable growth during the year with gross premiums written amounting to \$4,415,000.

At a meeting of your Directors held on March 30, 1966 a resolution was passed providing for the subdivision of the common shares of your Company on a 2 for 1 basis. Your Directors believe that this step is in the best interests of the Company and the holders of its common shares.

Enclosed with this report is a notice of the general meeting of the shareholders to be held on May 19, 1966 in conjunction with the annual meeting for the purpose of confirming the subdivision of the common shares.

Upon approval of the subdivision by the shareholders, your Directors propose to commence the payment of dividends on the subdivided shares at the rate of 5½¢ per share quarterly beginning with the quarterly dividend to be declared payable July 15, 1966. This would be equivalent to an annual dividend rate of 44¢ per share on the present shares, an increase of 10% over the existing rate.

It is with deep regret that we report the passing in 1965 of Mr. W. N. Hovey, one of your Company's Directors. Mr. Hovey had a deep and sincere interest in your Company's affairs and contributed materially to its progress. Mr. A. D. McEwen of Toronto was elected to the board of directors to replace Mr. Hovey. Mr. McEwen has many years of experience in the financial field and is a welcome addition to the board.

On behalf of the Directors and personally I wish to express my sincere appreciation and thanks to the officers and staff of your Company for their efforts throughout the year.

Submitted on behalf of the Board of Directors

K. H. DOYLE
President

AUDITORS' REPORT

to the Shareholders of Scottish & York Holdings Limited:

We have examined the consolidated balance sheet of Scottish & York Holdings Limited and its subsidiary companies as at December 31, 1965 and the consolidated statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings present fairly the combined financial position of Scottish & York Holdings Limited and its subsidiary companies as at December 31, 1965 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Mulholland, Howson & McPherson

CHARTERED ACCOUNTANTS

Toronto, Canada,

March 23, 1966.

SCOTTISH & YORK

Incorporated under the Companies Act 1947

AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(With comparative figures for 1964)

ASSETS

CURRENT ASSETS:	1965	1964
Cash	458,501	391,536
Marketable securities:		
Bonds at amortized cost and accrued interest (market value 1965, \$1,570,112; 1964, \$1,566,779)	1,645,443	1,574,806
Stocks, at cost (market value 1965, \$122,067; 1964, \$60,000)	121,110	57,902
Accounts receivable, less allowance for doubtful accounts	717,259	851,744
Prepaid expenses	7,260	8,500
	<u>2,949,573</u>	<u>2,884,488</u>
 FIXED ASSETS:		
Furniture, fixtures and automobiles, at cost	48,910	47,882
Less Accumulated depreciation	24,350	18,772
	<u>24,560</u>	<u>29,110</u>
 OTHER ASSETS:		
Investment, at cost	1,500	1,000
Agencies, agreements and contracts, at cost	110,116	110,116
Unamortized commissions on issue of first preference shares		22,000
Premium paid on acquisition of shares of subsidiary companies (note 1)	65,037	63,822
	<u>176,653</u>	<u>196,938</u>
	 <u>3,150,786</u>	 <u>\$3,110,536</u>

Approved on behalf of the Board:

K. H. DOYLE,
Director

S. F. CHAPMAN,
Director

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Y COMPANIES**HEET, DECEMBER 31, 1965**

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LIABILITIES

CURRENT LIABILITIES:	1965	1964
Bank loan	75,000	200,000
Accounts payable and accrued expenses	524,640	483,981
Customers' deposits	30,500	31,000
Dividends payable	25,000	24,800
Provision for outstanding claims	867,932	883,085
Income and premium taxes payable	96,019	149,533
	<u>1,619,091</u>	<u>1,772,399</u>
 DEFERRED REVENUE	 403,014	 582,167
 INTEREST OF MINORITY COMMON SHARE- HOLDERS OF SUBSIDIARY COMPANIES	 14,400	 11,360
TOTAL LIABILITIES	<u>2,36,505</u>	<u>2,365,926</u>

SHAREHOLDERS' EQUITY**CAPITAL STOCK:**

Authorized:

10,000 first preference shares, par value \$50.00 each,
issuable in series (after giving effect to the conver-
sion of 9,940 shares during the year)

2,000,000 common shares without par value

Issued:

5½% cumulative convertible first preference shares, Series A, redeemable at \$52.50		497,000
250,000 common shares (200,300 shares in 1964) ...	501,000	4,000
	<u>501,000</u>	<u>501,000</u>

RETAINED EARNINGS:

Retained earnings, unappropriated	613,281	233,610
Reserve for purchase of first preference shares		10,000
	<u>613,281</u>	<u>243,610</u>

TOTAL SHAREHOLDERS' EQUITY	<u>1,114,281</u>	<u>744,610</u>
	<u>3,150,786</u>	<u>\$3,110,536</u>

The accompanying notes are an integral part of this statement.

SCOTTISH & YORK HOLDINGS LIMITED *and Its Subsidiary Companies*

NOTES TO FINANCIAL STATEMENT

Year ended December 31, 1965

1. Premium paid on acquisition of shares of subsidiary companies:

	1965	1964
Premium paid on Acquisition of shares of Central Canada Insurance Service Limited	143,628	143,628
<i>Less</i> Excess of book value of assets purchased over purchase price of shares of Victoria Insurance Company of Canada	<u>78,591</u>	<u>79,806</u>
	<u>\$65,037</u>	<u>\$63,822</u>

2. Taxes on income:

Taxes on income have been reduced as a result of the application of previous years' losses in a subsidiary company against the current year's income.

SCOTTISH & YORK HOLDINGS LIMITED *and Its Subsidiary Companies*

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1965

(With comparative figures for 1964)

	1965	1964
Income from operations before undernoted items	655,822	384,318
Directors' fees	6,000	6,000
Depreciation	7,600	8,555
Amortization of commission on issue of first preference shares		1,000
	<u>13,600</u>	<u>15,555</u>
	642,222	368,763
Taxes on income (note 2)	147,411	173,040
	<u>494,811</u>	<u>195,723</u>
Interest of minority common shareholders of subsidiary companies	3,154	1,549
NET INCOME FOR YEAR	<u>491,657</u>	<u>\$194,174</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1965

(With comparative figures for 1964)

	1965	1964
Retained earnings, unappropriated, at beginning of year ...	233,610	145,780
<i>Add:</i>		
Net income for year	491,657	194,174
Transfer from reserve for purchase of first preference shares	10,000	
	<u>735,267</u>	<u>339,954</u>
<i>Deduct:</i>		
Dividends:		
First preference shares		27,500
Common shares	99,986	69,000
Adjustment of prior year's income taxes		9,844
Unamortized commission on issue of first preference shares	22,000	
	<u>121,986</u>	<u>106,344</u>
Retained earnings, unappropriated, at end of year	613,281	233,610
Reserve for purchase of first preference shares		10,000
RETAINED EARNINGS AT END OF YEAR	<u>\$613,281</u>	<u>\$243,610</u>



